

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

IN RE:  ALTERNATE ENERGY PURCHASE PROGRAMS	DOCKET NO. RMU-03-8
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**ORDER COMMENCING RULE MAKING**

(Issued April 21, 2003)

Pursuant to the authority of Iowa Code §§ 17A.4, 476.1, 476.1A, 476.1B, and 476.47, the Utilities Board (Board) proposes to adopt the rules attached hereto and incorporated herein by this reference. These proposed rules add three new definitions to 199 IAC 15.1, add new rule 15.17, and add a new subparagraph to 199 IAC 20.9. The rules are designed to implement Iowa Code § 476.47. This statute, which became effective on July 1, 2001, requires all electric utilities to offer “alternate energy purchase programs that allow customers to contribute voluntarily to the development of alternate energy in Iowa” by January 1, 2004. The statute requires rate-regulated utilities to file program tariffs in compliance with Board rules, but requires non-rate-regulated utilities to file tariffs “for informational purposes only.” Voluntary customer contributions through alternate energy purchase programs will supplement other components of renewable energy development, including the state-mandated purchase requirements contained in Iowa Code §§ 476.41 through 476.45.

The proposed rules would allow alternate energy purchase programs to supplement, and work in tandem with utilities' other AEP development components, allowing them to share costs and benefit from economies of scale, rather than forcing the programs to operate as separate, stand-alone entities based on small renewable projects. The proposed rules allow alternate energy purchase programs to offer programs for discrete, identifiable, voluntary customer contributions toward additional utility purchases or development of Iowa renewable energy, whether mandated or not. As such, renewable energy developed through alternate energy purchase programs would be part of the utility's total renewable portfolio. For rate-regulated utilities, this requires development of accounting plans to identify and track directly assigned and jointly allocated program costs, to prevent double-recovery of costs and minimize subsidization of programs by non-participants.

The proposed rules restrict the utility program from including Iowa alternate energy production (AEP) facilities for which the utility sought energy adjustment clause (EAC) cost recovery before July 1, 2001. This is based on the legislative statutory intent as expressed in section 476.47, which is to encourage new AEP development. The proposed rules also implement the statute's requirement for all utilities, including non-rate-regulated utilities, to provide customers with information about their alternate energy purchase programs.

Proposed subrule 15.17(3) contains the program plan filing requirements for rate-regulated utilities. Because the statute does not contain specific program

requirements, the filing requirements are designed to allow for a range of initial program proposals, while requiring sufficient detail to frame potential issues. For example, proposed 199 IAC 15.17(3)"d" does not require the utility to make its programs initially available to all customer classes, but instead requires an estimate of when it intends to do so. It may be necessary for programs to start out small until customer demand can be properly matched with available AEP facilities. Paragraph 15.17(3)"g" requires the utility to specify time lag limits between customer participation and the availability of program AEP facilities. The proposed rules also require, among other things, that an accounting plan be filed to track assignment of costs and to verify that the program AEP facilities are not used to meet other renewable requirements.

The rules contain separate filing requirements for rate-regulated and non-rate-regulated utilities. The rules also include a new subparagraph to 199 IAC 20.9 that allows for adjustments to the energy adjustment clause to include the annual reconciliations to the AEP purchase programs.

**IT IS THEREFORE ORDERED:**

1. A rule making proceeding, identified as Docket No. RMU-03-8, is commenced for purposes of receiving comments upon the proposed rules attached to this order.

2. The Executive Secretary is directed to submit for publication in the Iowa Administrative Bulletin a notice in the form attached to and incorporated by reference in this order.

**UTILITIES BOARD**

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper  
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 21<sup>st</sup> day of April, 2003.

## **UTILITIES DIVISION [199]**

### **Notice of Intended Action**

Pursuant to Iowa Code sections 17A.4 and 476.1, and Iowa Code sections 476.1A, 476.1B, and 476.47, the Utilities Board (Board) gives notice that on April 21, 2003, the Board issued an order in Docket No. RMU-03-8, In re: Alternate Energy Purchase Programs, "Order Commencing Rule Making." The Board is proposing additions to 199 IAC 15.1, a new rule 15.17, and a new subparagraph to 199 IAC 20.9. The proposed rules are in response to Iowa Code § 476.47, which requires all electric utilities to offer "alternate energy purchase programs that allow customers to contribute voluntarily to the development of alternate energy in Iowa" by January 1, 2004.

The Board will not detail here the reasons for proposing the rules because those reasons have been delineated in the Board's order, referred to above. This order is available at the Board's website, <http://www.state.ia.us/iub>. This order is also available in hard copy for review or purchase at the Board's Records Center, 350 Maple Street, Des Moines, Iowa 50319-0069; telephone (515)281-5563.

Pursuant to Iowa Code sections 17A.4(1)"a" and "b," any interested person may file a written statement of position pertaining to the proposed amendments. The statement must be filed on or before June 3, 2003, by filing an original and ten copies in a form substantially complying with 199 IAC 2.2(2). All written statements should clearly state the author's name and address and should make

specific reference to this docket. All communications should be directed to the Executive Secretary, Iowa Utilities Board, 350 Maple Street, Des Moines, Iowa 50319-0069.

A public hearing to receive comments on the proposed amendments will be held at 10 a.m. on June 27, 2003, in the Board's hearing room at the address listed above. A separate waiver provision is included for municipal utilities and cooperatives, but the Board's general waiver provision in 199 IAC 1.3 will be generally applicable to these rules.

These amendments are intended to implement Iowa Code section 476.1 and sections 476.1A, 476.1B, and 476.47.

The following amendments are proposed.

Item 1. Amend rule 199—15.1 by adding the following new definitions:

“Allocated joint program costs” means embedded costs recovered through the utility’s base tariff rates, portions of which are allocated to the utility’s alternate energy purchase program.

“Alternate energy purchase program” means a utility program through which customers can contribute voluntarily to increase the utility’s share of electricity produced by or purchased from AEP facilities in Iowa.

“Directly assigned program costs” means incremental costs associated with the utility’s alternate energy purchase program not otherwise recovered through the utility’s base tariff rates, and electricity costs dedicated to the program and separated from the utility’s 199–20.9(476) energy or AEP automatic adjustment clauses.

Item 2. Add new rule 199—15.17 as follows:

**199—15.17(476) Alternate Energy Purchase Programs.**

**15.17(1)** *Obligation to offer programs.*

a. Beginning January 1, 2004, each electric utility, whether or not subject to rate regulation by the board, shall offer an alternate energy purchase program that allows customers to contribute voluntarily to the increased development of alternate energy in Iowa. The program shall be based on energy produced by AEP facilities in Iowa, not including AEP facilities for which the utility has sought cost recovery under rule 199—20.9(476) prior to July 1, 2001.

b. The electric utility may base its program on energy produced by AEP facilities located outside of Iowa under any of the following circumstances:

(1) The energy is purchased by the electric utility pursuant to a contract in effect prior to July 1, 2001, and continues until the expiration of the contract, including any options to renew that are exercised by the electric utility;

(2) The electric utility has a financial interest, as of July 1, 2001, in the AEP facility that is located outside of Iowa or in an entity that has a financial interest in an AEP facility located outside of Iowa; or

(3) The energy is purchased by an electric utility that is not rate-regulated and that is required to purchase all of its electric power requirements from a single supplier that is physically located outside of Iowa.

c. This rule shall not apply to non-rate-regulated electric utilities physically located outside of Iowa that serve Iowa customers.

d. Any electric cooperative corporation or association, or any municipally-owned electric utility may apply to the board for a waiver under this rule.

**15.17(2) *Customer notification.***

a. Each electric utility shall notify customers of its alternate energy purchase program and proposed program modifications at least 60 days prior to implementation of the program or program modification. The notification shall include:

(1) A description of the availability and purpose of the program, clarifying that customer contributions will be used for purchases that serve the utility system as a whole rather than individual customers;

(2) The effective date of the program or program modification;

(3) Customer classes eligible for participation;

(4) Forms and levels of customer contribution available to program participants;

(5) A utility telephone number for answering customer questions about the program; and

(6) A sign-up form for authorizing customer participation.

b. In addition to notification requirements under 15.17(2)"a," each electric utility subject to rate regulation by the board, excluding utilities that elect rate regulation pursuant to Iowa Code section 476.1A, shall:

(1) Include fuel report information described under 15.17(5); and

(2) Submit the proposed notification to the board for approval at least 30 days prior to its proposed date of issuance.



**15.17(3)** *Program plan filing requirements for rate-regulated utilities.* On or before October 1, 2003, each electric utility subject to rate regulation by the board, excluding utilities that elect rate regulation pursuant to Iowa Code section 476.1A, shall file with the board a plan for its alternate energy purchase program. Initial program plans and any subsequent modifications will be subject to board approval. The program plan shall include:

- a. The program tariff;
- b. The program effective date;
- c. A sample of the customer notification, including a description of its method of distribution;
- d. Customer classes eligible for participation and the schedule for extending participation to all customer classes;
- e. Identification of each AEP facility used for the program, including:
  - (1) Fuel type;
  - (2) Nameplate capacity;
  - (3) Estimated annual kWh output;
  - (4) Estimated in-service date;
  - (5) Ownership, including any utility affiliation;
  - (6) A copy of any contract for utility purchases from the facility;
  - (7) A description of the method or procedure used to select the facility, whether through competitive bid or some other method;
  - (8) A description of how kWh from the facility will be brought into the utility's Iowa service area; and

(9) If the facility is located outside of Iowa, an explanation of how it qualifies under 15.17(1)"b";

*f.* The forms and levels of customer contribution available to program participants, including:

(1) KWh rate premiums applied to percentages of participant kWh usage, with an explanation of how the kWh rate premiums are derived; or

(2) KWh rate premiums applied to fixed kWh blocks of participant usage, with an explanation of how the kWh rate premiums are derived;

*g.* The maximum allowable time lag between the beginning of customer contributions and the in-service date for identified AEP facilities and procedures for suspending customer contributions if the maximum time lag is exceeded;

*h.* The intended treatment of program participants under 199–20.9(476) energy automatic adjustment and AEP automatic adjustment clauses;

*i.* An accounting plan for identifying and tracking participant contributions and program costs, including:

(1) Identification of directly assigned program costs and allocated joint program costs for: (a) program start-up and administration; (b) program marketing; and (c) program energy and capacity from identified AEP facilities;

(2) Methods for quantifying, assigning, and allocating costs of the program, and for segregating these costs in the utility's accounts; and

(3) Methods for independently verifying that program energy and capacity from identified AEP facilities are not used to meet any other AEP or renewable energy regulatory requirements;

*j. A marketing and customer information plan, including schedules and copies of all marketing and information materials.*

**15.17(4)** *Annual reporting requirements for rate-regulated utilities.* On or before April 1, 2005, and annually thereafter, each electric utility subject to rate regulation by the board, excluding utilities that elect rate regulation pursuant to Iowa Code section 476.1A, shall file with the board a report of program activity for the previous calendar year. The annual report shall include:

*a. The following information, by month:*

*(1) The number of program participants, by customer class;*

*(2) Participant contribution revenues, by customer class, by form and level of contribution, and associated participant kWh sales;*

*(3) Program electricity delivered to the utility's Iowa service area, and associated costs, by identified AEP facility; and*

*(4) Other directly assigned and allocated joint program costs, by cost;*

*b. An annual reconciliation of participant contributions and program costs, in which:*

*(1) The excess of participant contributions over total annual program costs is an annual program surplus, and the excess of any unrecovered total annual program costs over participant contributions is an annual program deficit;*

*(2) Annual program surpluses and deficits are cumulative over successive years;*

*(3) Participant contributions and the cumulative program surplus shall first be applied toward directly assigned program costs;*

(4) Any deficit in the recovery of directly assigned program costs shall be recovered through the utility's 199–20.9(476) AEP automatic adjustment clause;

(5) Any participant contributions and cumulative program surplus in excess of directly assigned program costs shall be applied toward allocated joint program costs;

(6) Any participant contributions and cumulative program surplus applied toward allocated joint program costs, and not exceeding the total annual program costs, shall be credited through the utility's 199–20.9(476) AEP automatic adjustment clause;

(7) Any participant contributions in excess of total annual program costs, and applied toward a cumulative program deficit, shall be credited through the utility's 199–20.9(476) AEP automatic adjustment clause; and

(8) Any participant contributions in excess of total annual program costs and the cumulative program deficit, shall become, or be added to, the cumulative program surplus;

c. Independent verification that program energy and capacity from identified AEP facilities are not used to meet any other AEP or renewable energy regulatory requirements;

d. A description of program marketing and customer information activities, including schedules and copies of all marketing and information materials related to the program;

e. Program modifications and uses for any program surplus under consideration, including procurement or assignment of additional electricity from AEP facilities; and

f. A copy of the utility's annual fuel report to customers under 15.17(5).

**15.17(5) *Annual fuel reporting requirements for rate-regulated utilities.***

a. Each electric utility subject to rate regulation by the board, excluding utilities that elect rate regulation pursuant to Iowa Code section 476.1A, shall annually report to all its Iowa customers its percentage mix of fuel and energy inputs used to produce electricity. The report shall specify percentages of electricity produced by coal, nuclear energy, natural gas, oil, AEP electricity produced for the utility's alternate energy purchase program, and non-program AEP electricity. The percentages for AEP electricity shall further specify percentages of electricity produced by wind, solar, hydropower, biomass, and other technologies.

b. The report shall also include an estimate of sulfur dioxide (SO<sub>2</sub>), nitrogen oxide (NO<sub>x</sub>), and carbon dioxide (CO<sub>2</sub>) emissions per kWh, for each fuel and energy input type.

**15.17(6) *Program plan filing requirements for non-rate-regulated utilities.***

a. On or before January 1, 2004, each electric utility not subject to rate regulation by the board, or which elects rate regulation pursuant to Iowa Code section 476.1A, shall file with the board a plan for its alternate energy purchase program. Initial program plans and any subsequent modifications shall be filed for informational purposes only. The program plan shall include:

- (1) The program tariff;
- (2) The program effective date;
- (3) A sample of the customer notification, including a description of its method of distribution;
- (4) Customer classes eligible for participation;
- (5) Identification of each AEP facility used for the program, including: (a) fuel type; (b) nameplate capacity; (c) estimated annual kWh output; (d) estimated in-service date; (e) ownership, including any utility affiliation; (f) a description of how kWh from the facility will be brought into the utility's Iowa service area; and (g) if the facility is located outside of Iowa, an explanation of how it qualifies under 15.17(1) "b"; and
- (6) Forms and levels of customer contribution available to program participants.

*b. Joint Filings.* An electric utility not subject to rate regulation by the board, or which elects rate regulation pursuant to Iowa Code section 476.1A, may file its program plan jointly with other non-rate-regulated utilities or through an agent. A joint plan shall contain the information required by subrule 15.17(6)"a," separately identified for each utility participating in the joint plan. The information for each utility may be provided by reference to an attached document or to a section of the joint plan. A joint plan filed by an agent shall state the agent's relationship to each utility, and provide a document from each utility authorizing the agent to act on the utility's behalf.

Item 3. Add new subparagraph 199—20.9(2)"b"(9) as follows:

(9) Eligible costs or credits associated with the utility's annual reconciliation of its alternate energy purchase program under 199—15.17(4)"b"(476).

April 21, 2003

/s/ Diane Munns

Diane Munns  
Chairman